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ABSTRACT

To commemorate the Centennial of the Foundation for Child Development, this report tells the story of American families who cannot lift themselves out of poverty despite honest, hard work and proposes an agenda for change tnat reflects the focus of the foundation's grantmaking. The report draws heavily on recent research including that sponsored by FCD and on discussions with FCD's grantees and other researchers. Part 1 of the report describes the changing economic and social conditions that affect families' capacity to develop their full potential. Part 2 discusses the impact of these conditions on children's lives today and on their future prospects. Part 3 focuses on the specific requirements and resources of working families. This part discusses various yardsticks used to measure family economic policy, and shows how those measures shape current policies and programs. Part 4 presents a range of strategies that hold promise for improving the prospects of low-wage working families and their children. The report urges a restoration of the balance between private initiative and public responsibility that has characterized the nation's most successful endeavors. Maintaining that policymakers must consider broader social and economic strategies that will improve the prospects of all low-wage earners and their families, the report reaffirms FCD's conviction that both restructured policies and vigorous and sustained advocacy are needed to keep faith with the nation's families and their children. (KB)

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Our Basic Dream

Keeping Faith with America's Working Families and their Children

Rima Shore

Foundation for Child Development

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Foundation for Child Development Mission Statement

The Foundation for Child Development (FCD) is a national private philanthropy dedicated to the principle that all families should have the social and material resources to raise their children to be healthy, educated, and productive members of their communities. The Foundation seeks to understand children, particularly the disadvantaged, and to promote their well-being. We believe that families, schools, nonprofit organizations, businesses, and government at all levels share complementary responsibilities in the critical task of raising new generations.

Seeking to achieve its goals, the Foundation supports:

- basic and policy-relevant research about the factors that promote and support the optimal development of children and adolescents;
- policy analysis, advocacy, services, and public education to enhance the discussion and adoption of social policies that support families in their important child-raising responsibilities; and
- leadership development activities linked to the programmatic focus of the Foundation.

The Foundation believes that by integrating these approaches, FCD will strengthen its effectiveness in achieving its mission.

Our Basic Dream

Keeping Faith with America's Working Families and Their Children

Rima Shore

Foundation for Child Development

October 2000

Yet I'm the one who dreamt our basic dream,
In the Old World while still a serf of kings,
Who dreamt a dream so strong, so brave, so true,
That even yet its mighty daring sings
In every brick and stone, in every furrow turned
That's made America the land it has become.

Langston Hughes, from "Let America Be America Again" (1936)
Langston Hughes, Collected Poems, *copyright © 1994*
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Preface

The year 2000 marked the Centennial of the Foundation for Child Development (FCD), the nation's oldest private foundation committed to improving the life prospects of children. For the entire span of the century, FCD has been a leader in expanding knowledge about how children develop, and connecting that knowledge with initiatives aimed at advancing children's well-being.

To celebrate its Centennial, the Foundation commissioned this report. *Our Basic Dream* tells the story of American families who cannot lift themselves out of poverty despite honest, hard work. By focusing on public responsibility for children, it affirms FCD's long-standing commitments. At the same time, it proposes an agenda for change that reflects the focus of the foundation's grantmaking and pursues a goal sought by successive generations of Americans—meeting the fundamental needs of America's children and their families.

While the report draws heavily on studies supported by FCD over the last several years and was informed, in part, by discussions with the Foundation's grantees, it also makes use of a broader research base and benefits from interviews with other researchers. An Advisory Committee drawn from the Foundation's Board of Directors played a major role in guiding the development of this report.

In keeping with FCD's historic mission, *Our Basic Dream* focuses on children. Part 1 describes the changing economic and social conditions that affect their families' capacity to develop their full potential. Part 2 discusses the impact of these conditions on children's lives today and on their prospects for tomorrow. Part 3 widens the lens, focusing on the specific requirements and resources of working families. It discusses various yardsticks used to measure family economic security, and shows how those measures shape current policies and programs. Part 4 presents a range of strategies that hold promise for improving the prospects of low-wage working families and their children.

Our Basic Dream calls for a renegotiation of the social compact that binds our nation's diverse people into a civil society. In particular, it urges a restoration of the balance between private initiative and public responsibility that has characterized our nation's most ambitious and successful endeavors. As the ground shifts under their feet, policymakers at the federal and state level must come to terms with the reality that today's policies do not give all families—whether Americans of long standing or newcomers—a fair shot at the American dream. Policymakers must reach beyond the current welfare-to-work agenda and consider broader social and economic strategies that will improve the prospects of all low-wage earners and their families. Our sights must be higher.

But policymakers cannot do this alone. With this report, the Foundation for Child Development reaffirms its conviction that keeping faith with our nation's families and their children will require not only restructured policies, but also vigorous and sustained advocacy. Americans in all walks of life—across economic, ethnic, and generational lines—must come together to ensure that our basic dream remains strong. Only then will we succeed at letting America be America again.

P. Lindsay Chase-Lansdale
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August 2000

Executive Summary

Our basic dream—the idea that hard work should lead to a better life—reflects a fundamental American value. For centuries, much of our nation's productivity and prosperity has been attributed to the work ethic that springs from that idea. When ordinary people believe that they labor within a fair system that rewards effort, they apply themselves more diligently. But when Americans begin to perceive that the terms of the compact have been broken—that the promise of a decent living and the possibility of social mobility are beyond the grasp even of full-time, year-round workers—the basic dream loses its power to motivate effort.

Breaking the Cycle of Hardship

That is why the existence of the "working poor"—millions of Americans who have difficulty making ends meet despite honest labor—represents a profound insult to our basic dream and threatens the prosperity it has fostered. According to the National Academy of Sciences, some 30 million Americans live in families that face hardship despite employment.

Given our nation's strong economy, the phrase, "working poor," should be a contradiction in terms. And yet, the ranks of the working poor have increased significantly over the last decade, encompassing families of every description. Unless Americans take steps now to counter this trend, it is likely to intensify in coming years.

Employment is vital to family economic security. But jobs do not reduce poverty; good jobs reduce poverty. An expanding economy has produced more jobs, but fewer steady, full-time jobs offering a living wage and full benefits. Inadequate education and training depress the wages of many workers, creating a cycle of hardship. Those workers cannot give their children the basics—including adequate nutrition, housing, health care, or early-learning programs, giving rise to another generation of low-wage, low-productivity workers. This cycle can and must be broken.

Composing a New Social Compact

Ending welfare as we knew it may be the kind of social crisis that leads to renegotiating a social compact based on children's and families' requirements for a decent life. This compact would require of all able adults personal effort, initiative, and responsibility. In return, it would strengthen public responsibility for the well-being of children and their families.

For All Americans—Opportunities to Learn throughout the Life Span, Beginning in the Early Years

Shape welfare and employment policies that strengthen adult learning. Lifelong learning—a key to better worker productivity and compensation—necessitates initiative and conscientious work on the part of individuals. But systematic efforts to ensure a well-educated, well-equipped workforce also require public investment.

Work toward universal access to quality early-learning programs. The United States lags behind other wealthy, industrialized countries in educating young children. Today, policymakers, educators, business leaders, and philanthropists are joining the call for universal, voluntary access to early education programs for three- and four-year-olds. Equity is a major concern. As things stand, low-income families—especially the working poor—have less access to center-based programs than more affluent families. And the early education opportunities open to their young children depend on where they happen to live.

Build in program standards and quality incentives. As consensus builds on the urgency and viability of universal early education and care, numerous policy groups and scholars are putting forward plans. Under most of these proposals, the federal government would give states incentive grants to support good-quality early-learning programs.

Focus on the early education workforce. Improving school readiness for young children will take significant investments in the professional development of current and new early childhood teachers. The National Academy of Sciences' Committee on Early Childhood Pedagogy has recommended that, in early education programs, every group of children should have a teacher with a bachelor's degree in some aspect of child development or special education.

For All Children—Good Nutrition and Health Care

Ensure that all eligible families receive Food Stamps. Today, no child should have to go hungry or suffer the ill effects of malnourishment. Ensuring food security entails two key challenges: making sure that Food Stamp recipients continue to receive benefits for as long as they are eligible, and reaching out to families who qualify for Food Stamps but have never received them.

Offer child feeding programs on a universal basis. A universal approach can lessen stigma, improve utilization rates, and reduce the costs of administering a means-tested program.

Enroll all eligible children in public health insurance programs. Both Medicaid and State Child Health Insurance Programs provide excellent coverage for preventive and primary health care. The challenge is to extend outreach and public education, and to make both plans more accessible and effective. But it is not enough to streamline onerous enrollment forms and procedures. Changing attitudes—and the institutional practices that create them—is just as important.

Insure all children and youth. The American Academy of Pediatrics has endorsed universal access to health care for children and youth. Universal coverage that includes preventive care is an ambitious goal, but an affordable one.

Look beyond enrollment. Mere enrollment does not guarantee good health care. Other vital questions need answers: Are participating children receiving appropriate services? What is the quality of the care they receive? What barriers stand in their families' way as they try to make use of their insurance benefits?

For All Parents—The Chance to Provide for, Shelter, Nurture, and Protect Their Children

Base public policies on realistic assessments of what families need—not the outdated federal poverty line. Basic family budgets offer a realistic, commonsense alternative method for gauging what it takes for families to cover their essential needs in a given location, including the costs of health care and early education programs, and should be used to guide policymaking.

Address the shortage of affordable housing in safe neighborhoods. Efforts to address the shortage should increase access to existing housing, renovate substandard units, create much-needed new housing stock, and address discrimination in housing. In addition, improving outcomes for children requires sustained efforts to strengthen impoverished neighborhoods.

Expand job opportunities for working-poor families by improving transportation. Changes in welfare policies and rules could enable low-wage earners to own vehicles so that they can commute to work, bring children to early education programs and medical appointments, and manage household chores. Improving public transportation can benefit many families.

Expand job benefits for low-wage employees. A shortage of time affects most American families. But compared with other workers, low-wage workers have less access to benefits—including paid family leave, sick days, and time off to tend to family matters. Public- and private-sector employers are beginning to institute more family-supportive policies, but they can do much more.

Move toward paid family leave for all who need it. The Family and Medical Leave Act gives eligible parents 12 weeks of unpaid leave to care for a newborn or adopted child; tend to a sick parent, child, or spouse; or recover from a serious illness. But many Americans—including most low-wage earners—cannot afford to take unpaid leave. New approaches are needed. Some states have made use of state unemployment insurance or temporary disability insurance to help family members meet their responsibilities.

Extend public health insurance to parents. Parents' health affects children's well-being throughout childhood and beyond. Low-income adults are even less likely than low-income children to have health insurance. A federal plan is being considered that would allow states to cover parents in the same program as their children (Medicaid or the Children's Health Insurance Program).

For All Workers—Public Policies Aimed at Making Work Pay

Strengthen the Earned Income Tax Credit (EITC). The federal EITC provides tax credits to low-income workers, and is payable to workers even if they owe no federal income taxes. To date, at least ten states have adopted EITCs. An expansion of the EITC, and its extension to additional states, could make a significant difference for low-wage working families and their children. Efforts are also needed to address shortcomings in the design and implementation of the EITC.

Increase pretax wages. The EITC is a popular, helpful mechanism, but it cannot solve the fundamental problem—low pretax wages. Increases in the minimum wage can decrease poverty. For many low-wage earners, unionization can be an effective strategy for raising compensation, improving working conditions, and creating a career ladder. Living-wage campaigns—efforts to win local living-wage ordinances in cities and counties across the nation—are also important. Finally, closing the gender gap in employment would improve wages significantly. If men and women were paid equally, more than half of officially poor families would rise above the federal poverty line.

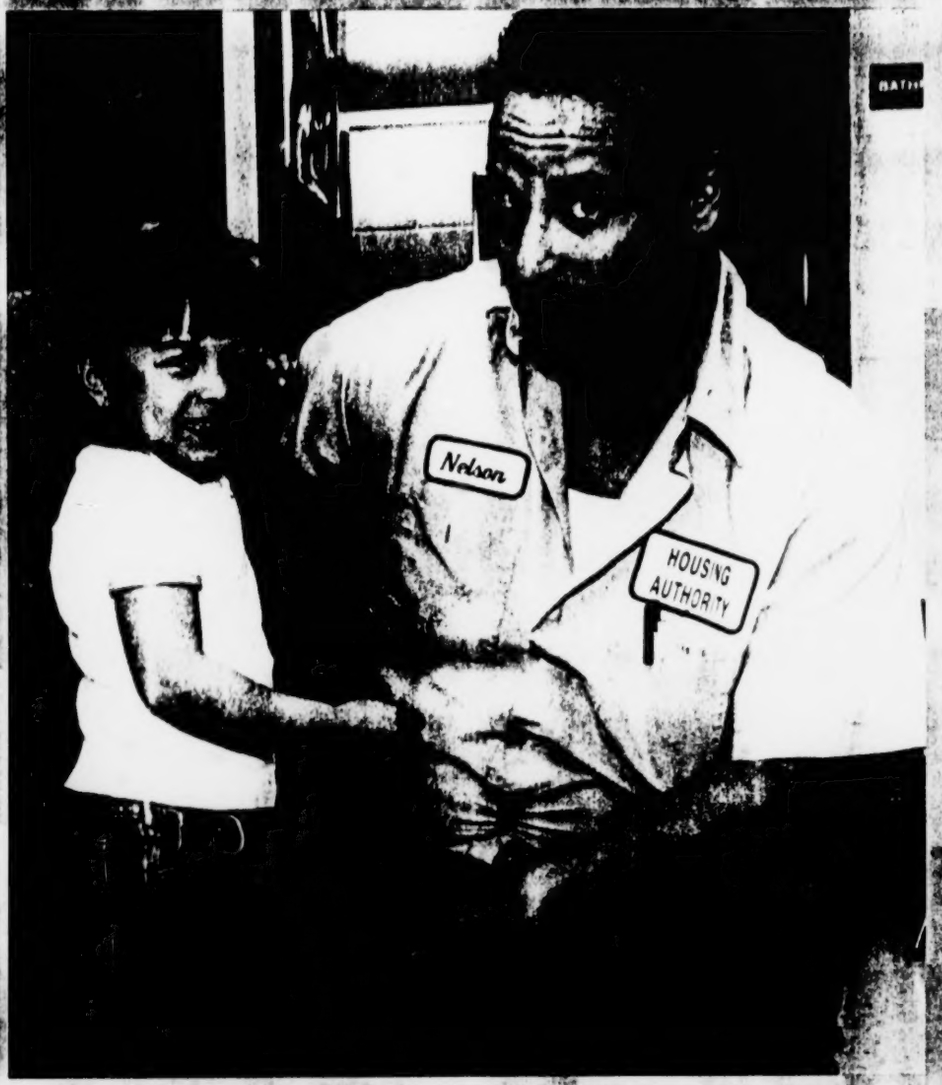
For All Communities and States—A Package of Policies and Programs that Support Working Families

Piecemeal strategies cannot sustain our basic dream. What is needed is a coherent plan accompanied by a well-coordinated package of policies aimed at ensuring a decent quality of life for all working families, while creating a safety net for those who cannot work due to physical or mental disabilities or special circumstances. This multifaceted approach has been adopted by other industrialized countries, with good results. Even those that have experienced similar changes in family structure, including increases in single-parent families, have kept child poverty rates much lower than the United States through family-supportive policies.

For the Nation—A Recommitment to the Traditional American Values of Fairness and Justice

None of these policies or solutions can make a difference for children without the bonds of reciprocity that unite individuals into families, families into communities, and communities into a nation. While devolution has shifted significant responsibility and resources to the states, the federal government must continue to play a key role, ensuring equity across regions and states, so that children's life chances are not constrained by where they happen to live.

The time has come to recommit the nation to fulfilling our basic dream: not only to find someone to watch the children while their parents work, but also to create settings where children can flourish and learn; not only to expand the number of jobs for American workers, but also to create good jobs; not only to encourage or require full-time work, but also to ensure that hard work will enable workers to meet their expenses today and put something by for the future. The time has come to restore belief in the power of individual effort and public responsibility to children and their families. The time has come to let America be America again.



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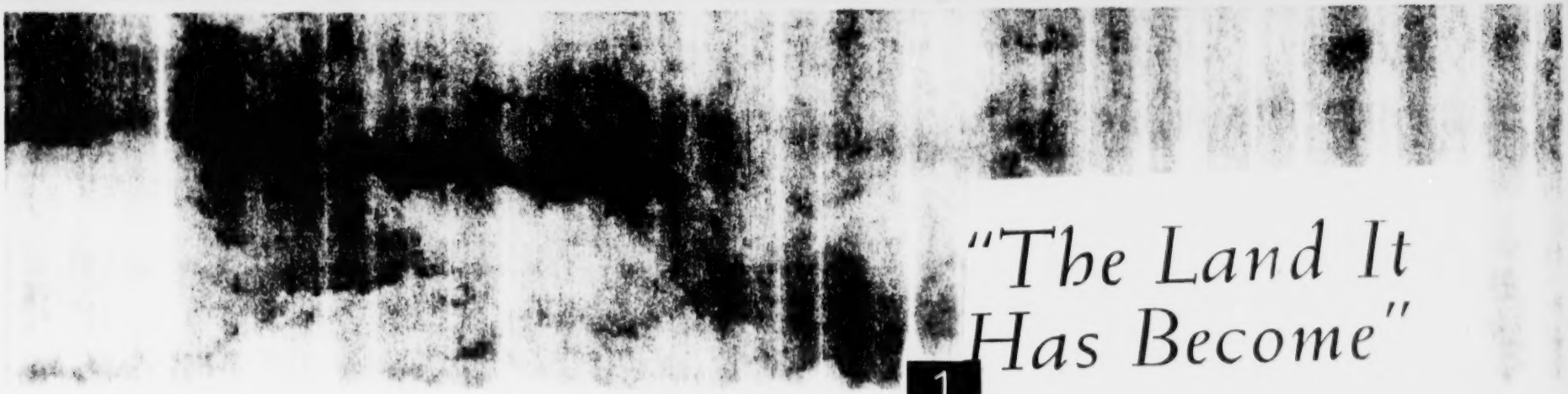

"The Land It Has Become"

1 The American Dream at the Century's Turn

We call it our dream—the distinctively American conviction that those who work hard and play by the rules earn the right to a decent life for themselves and their children. And yet, for many, the form it takes day by day is anything but dreamlike: long days or nights spent mopping, building, guarding, lifting, teaching, running machinery, serving, harvesting, mining, caring for other people's young children or elderly parents.

This report is about the women and men who labor at these jobs. It is about their children—their well-being today and their prospects for tomorrow. It is about the work itself—the structure of jobs in a changing economy. And it is about how a nation supports its families. This is a report on the status of the American dream at the dawn of a new century.

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Our Basic Dream

The poet Langston Hughes celebrated "our basic dream"—the terms of a compact so fundamental to Americans' thinking about personal initiative, effort, and reward that it often fades from consciousness, even as it shapes individual and collective decision-making. The idea that serious effort should ward off hardship is basic to our nation's ethos—the bottom line in our public accounting of what is demanded and what is owed.

For centuries, much of our nation's productivity and prosperity has been attributed to the work ethic that springs from our dream. During his travels to America in the 1830s, Alexis de Toqueville observed a widely shared belief that success is attainable through initiative and effort. A hundred years later, this conviction was described by James Truslow Adams, the historian who coined the term, "American dream." For centuries, that dream has inspired immigrants to seek a better life for themselves and their children in the United States, and to labor mightily to improve their social and economic condition. Today, our basic dream permeates public discourse, political campaigns, company pep talks, commencement addresses, and advertisements, reminding Americans that success is within everyone's grasp and exhorting individuals of every age to reach for it.[1]

Our Dream in Jeopardy

What people believe about their efforts and their prospects matters. When ordinary people believe that they labor within a fair system that rewards effort, when they believe that perseverance will pay off, they apply themselves more diligently and more productively.[2]

There is a catch. As one observer has written, "Like paper money, the American dream will succeed only so long as people believe in it."[3] When Americans begin to perceive that the terms of the compact have been broken—that the promise of a decent living and the possibility of social mobility are beyond the grasp even of

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full-time, year-round workers—the basic dream loses its power to motivate effort.[4] The demise of this idea is therefore a threat not only to the well-being of children and their families, but also to the nation's stability and prosperity.

That is why the existence of the "working poor"—millions of Americans who have difficulty making ends meet despite holding down full-time jobs—represents a profound insult to our basic dream and threatens the prosperity it has fostered.[5] Today, as many as 5 million Americans live below the federal poverty line, despite the full-time employment of an immediate family member.[6] But that is only the number living in official poverty. According to the National Academy of Sciences, the number of Americans living in families that face hardship despite employment is much larger—about 30 million.[7] (See *Who Are the "Working Poor"—and How Are They Counted?*)

As we begin a new century, the phrase, "working poor," should be a contradiction in terms. The last decade has witnessed the longest peacetime economic expansion in our nation's history, characterized by high productivity, low inflation, record employment, and a soaring stock market. Since the middle of the 1990s, incomes have gone up across the board, with median family income rising to $46,737 by 1998.[8] In that year, median income for families with children was even higher, reaching $57,000.[9]

The big picture is positive, but it is important to look at the shadows as well as the highlights. The robust economy of the '90s has led to greater security for millions of American workers and their families—but not for all. The income gap that has been widening for three decades has not narrowed.[10] In fact, income disparities have never been greater. Across the nation, the most prosperous households (the top 20 percent)

Who Are the "Working Poor"—and How Are They Counted?

If you are a researcher, how you count the working poor depends on how you define "working" and "poor."

If you count as "working" only those who hold full-time, year-round jobs, you arrive at one statistic. If you include those who meet the work standard established by the 1996 welfare law, you get a larger figure. (For families with children under the age of six, the work standard for a two-parent family is 35 hours per week, for a single-parent family, 20 hours per week.)

Defining poverty is even more complicated. If you count only those whose families live below the federal poverty line, you get one number. But most researchers think that the poverty line is set too low—about $17,000 for a family of four in the year 2000—and that it would take about twice that amount to cover a family's basic expenses and ensure a decent quality of life.

When this report refers to the "working poor," it is talking about employees who cannot maintain a decent quality of life for themselves and their families despite honest, hard work. Unless otherwise specified, the "working-poor families" and "low-wage workers" discussed in these pages have at least one member who meets the work standard, but has an income under 200 percent of the poverty line. Research shows that families earning at this level are barely scraping by:

- 28% of parents report problems paying their rent, mortgage, or utilities.
- 54% of children live in families that worried about or had difficulty affording food.
- 21% of children lack health insurance.
- 37% of adults (excluding the elderly—who qualify for Medicare) lack health insurance.

Sources: U.S. Census Bureau, 1998; Urban Institute, 1999; Economic Policy Institute, 1999.

are getting a bigger slice of the pie than ever before.[11] When it comes to earning power, immigrants continue to lag behind. In recent years, native-born Americans' wages have risen twice as fast as immigrants' wages.[12]

In this context, the ranks of the working poor have increased significantly over the last decade, encompassing families of every description, in all kinds of settings, from all racial and ethnic groups. (See *Beyond the Stereotypes: Misconceptions about the Working Poor.*) Unless Americans take steps now to counter this trend, it is likely to intensify in coming years.

Beyond the Stereotypes: Misconceptions about the Working Poor

Try this true/false test:

- A booming economy has narrowed the income gap between those at the bottom and those at the top.
- The working poor are working fewer hours—and that's why they're struggling.
- Most have recently left the welfare rolls.
- Most are people of color.
- Most full-time workers with earnings below the poverty line are women.
- Most working-poor families live in large urban centers like New York and Chicago.
- Most children in working-poor families were born to teenage mothers.
- Most children of the working poor live in single-parent families.

Every one of these statements is false.

Lower-skilled workers have experienced sharp declines in real wages, causing increased disparity in our nation's income distribution. To offset shrinking wages, working-poor families are sending more family members into the workforce and working more hours.

A Cycle of Hardship

Economists offer differing views of the relationship between work and poverty, but most agree on this point: jobs don't reduce poverty, **good** jobs reduce poverty. As the economy has expanded, it has produced many more jobs, but most are in the low-wage service sector.

Compared with past decades, there are many fewer steady, full-time jobs offering a living wage and full benefits. In the 1960s and '70s, a family of three with one full-time breadwinner

Most working-poor families have never received welfare. Most are white. Half are married couples. Almost half of them live in the South. They are almost equally distributed among cities, suburbs, and rural areas. Of the full-time workers with earnings below the poverty line, two-thirds are male.

As for the children, only one out of six children in working-poor families was born to a teenage mother; most were born to women over the age of 25. Half live in two-parent households where at least one parent works.

What is true: the working poor are all struggling in an economy that values educational credentials—which most low-wage earners lack. Only about a quarter have any education beyond a high school diploma.

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earning the minimum wage could work its way out of poverty; now that is not possible by a long stretch.[13] Wages in real dollars (adjusted for inflation) were lower in 1997 than in 1977. Moreover, today's low-wage jobs do not appear to be stepping stones to better-paying jobs. Income gains generally come from working more hours, not from higher wages.[14]

To be sure, some jobs in service industries call for, and reward, high levels of education and skill. In particular, workers who have solid information technology skills are in great demand. But at the same time, many able service workers with job descriptions that once brought dignity and a living wage now find themselves hard pressed to cover the basics. Parents who cannot meet their children's essential needs may be bank tellers, sales clerks, child care workers, or home health aides. Job holders who are considered professionals are not exempt: a single parent with three children who is trying to make ends meet as a teacher or nurse may barely scrape by.

Inadequate education and training depress the wages of many workers, creating a cycle of hardship. In the past, Americans who worked hard enough could gain economic security even without access to good schooling or specialized skills. Today, that is not the case. Limited education and skills restrict many workers' earning potential and their chances of moving up a career ladder.[15] Those workers cannot afford to give their children the basics—including adequate nutrition, health care, or early learning programs, giving rise to a new generation of low-wage, low-productivity workers. This cycle can and must be broken.

Keeping Faith with Working Families and Their Children

The bottom line: our basic dream remains out of reach for many Americans who play by the rules. In fact, because the costs of working can be so high, there is some evidence that the more low-wage earners work, the further behind they can get.[16] In terms of access to non-cash benefits (such as health insurance, Food Stamps, child care subsidies, and housing subsidies), working-poor families are often worse off than those who don't meet the work standard.[17]

What this means for children is that even if there is a breadwinner in your family, you may grow up without the nourishment you need or the health care you require, live in shabby, unsafe housing, and spend your days in makeshift, inadequate child care arrangements. Keep-

ing faith with America's families will require concerted advocacy and policy effort aimed at ensuring that our basic dream remains strong in the new century.

Opportunities for Change

Across the nation, widespread public support for reducing welfare rolls has driven policymakers' deliberations on welfare policy. The overriding emphasis of federal and state legislation is to place people in jobs, no matter what the wage or the impact on family life. The assumption is that the American dream is intact, and that work, in and of itself, is an antidote to poverty.

Two key facts belie this assumption. First, only a minority of our nation's low-wage earners are welfare leavers—those who have made the transition from welfare to work. Most are not and have never received public assistance. Second, efforts to put welfare recipients to work have not succeeded in lifting their families out of poverty. Reports from the states show that most families that have left the welfare rolls in recent years have simply shifted from the ranks of the poor to the ranks of the working poor. In the minds of many Americans, as one commentator has noted, they have moved from the ranks of the "undeserving poor" to the ranks of the "deserving poor."[18]

As a result, the lens that was trained on welfare recipients is widening to encompass the much larger population of low-wage earners. Making use of policies and funding streams established in the context of the 1996 welfare legislation, policymakers in some states and localities are attempting to find strategies and solutions that reach beyond the current narrow welfare-to-work agenda. This is particularly true in realms of policy that directly affect children, including health insurance and early education and care. At the same time, the challenges faced by working families are coming into public awareness—especially those that affect children.

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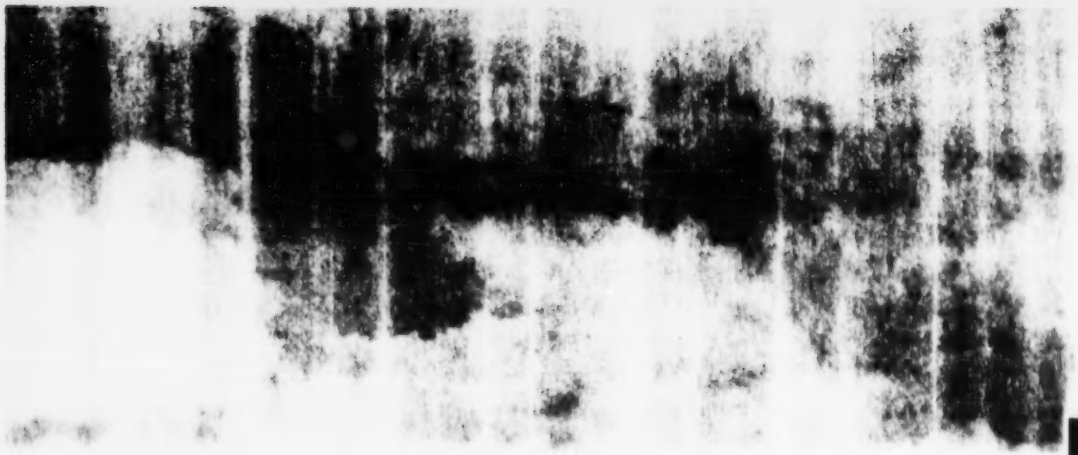


"Yet I'm the One"

2 Children and Our Basic Dream

When they craft economic and social policies, decision-makers most often have adults in mind. Policies aimed at increasing employment, reducing welfare caseloads, making work pay, and reweaving a social safety net articulate society's obligations toward and expectations of adults.

And yet, such policies exert immense influence on the lives and prospects of children. While most anti-poverty measures, such as minimum wage laws and tax policies, target adults, children under the age of 18 represent the largest age group living in poverty. And while welfare policies and programs generally focus on adults, the great majority of intended beneficiaries are children.[19]

Policy Shifts and Their Consequences for Children

Two landmarks in public policy altered the economic and political landscape in the 1990s: the passage of welfare legislation, entitled the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), in 1996, and the continuing devolution of policymaking to the states. Both have had profound consequences for children's well-being.

Welfare policy began to change in some states in the early '90s, when the federal government started granting waivers allowing states to require work for certain welfare recipients. But Congress did not abolish the existing welfare system, Aid to Families with Dependent Children (AFDC), until 1996, when it eliminated entitlements to cash assistance and child care subsidies. Under the new system, known as Temporary Assistance for Needy Families (TANF), states specified time limits on welfare receipt. Most also instituted tougher work requirements.

A second major story of the last decade is devolution—a shifting of resources and authority from federal agencies to state governments. The impact has been dramatic, especially in human services (including both cash assistance to eligible families and non-cash benefits, such as Food Stamps, child care subsidies, and health insurance for children). Each state now receives federal funds in the form of block grants. Federal legislation provides a general framework for state decision-making, but within that framework, state governments make key decisions about how to disburse the funds. In many cases, authority has devolved further, to counties and localities.

The flexibility that has come with devolution allows a better fit between policy decisions and regional conditions, but it has also spurred growing concern about equity. While child poverty is high nationwide, substantial variation exists among states. The decisions made by states—about minimum wage, tax policy, child health insurance, eligibility for means-tested programs, child care subsidies, and other issues—directly affect the resources available to children. The result is clear disparities in the resources available to children based on where they happen to live.

Are Children Better Off?

Are children better off now than they were five years ago? Have they benefitted from the economic and legislative changes of the late '90s? The answer to both questions is yes... and no.

Yes—**because children's issues are higher on the national agenda.**
Information about children's well-being is reported more prominently by the media, and children's issues figure more frequently in public debate, including election campaigns.

And no—**because outmoded measures continue to dominate estimates of children's well-being.**
As the statistics below reflect, most available data use the federal poverty line as a gauge of children's economic well-being. As a result, most reports—and the news stories they generate—underestimate the day-to-day hardship experienced by American children. The federal poverty line has been set set so low ($17,050 for a family of four in 2000) that families earning twice that amount are just scraping by. Forty percent of American children live in such families.[20]

Yes—**because the last five years have seen a significant drop in the number of children living under the federal poverty line, thanks largely to the strength of the economy.**
Between 1995 and 1998 (the most recent figures available), the number of children living in official poverty dropped by more than a million, from 14.4 million to 13.3 million.

And no—**because when a longer span of time is considered, the number of children living in official poverty is actually higher than it was 20 years ago.**
Whether the child poverty rate ticks up or down depends on the year that is used for comparison. Compared with 1979, the number of children living in poverty has risen by about 3 million. And the problem remains urgent. At 18.7 percent (in 1998), our nation's child poverty rate is among the highest of any industrialized country.[21]

Yes—**because since 1995, there has been a sharp rise in the number of children whose parents (or other adult family members) are in the workforce.**
Welfare caseloads have been cut nearly in half, and most welfare leavers have found work. Many more children have employed parents who serve as role models and households that are organized around the routines of the workaday world.[22]

And no—**because most of these parents earn extremely low wages.**
Welfare leavers typically earn too little to support their families' basic needs. And children who leave welfare but remain in poverty show little benefit overall.[23]

Yes—**because low-income children continue to qualify for non-cash assistance, even after their families leave the welfare rolls.**
They are eligible to receive Food Stamps, public health insurance coverage, and child care subsidies. These benefits have been shown to help working poor families achieve self-sufficiency and shield their children from the adverse effects of economic hardship.

And no—**because as things stand, many eligible children receive no benefits.**
The great majority of children who lack public health insurance coverage or stop receiving Food Stamps still qualify for them, based on family income. And most eligible families receive no child care subsidies.

The Current Social Compact: Personal Responsibility for Children

Our nation began the new century with a revised social compact, encoded in the 1996 welfare law, that de-emphasizes public responsibility for children.[24] For much of the 20th century, welfare policy was rooted in the conviction that families living in poverty, especially those facing the most severe hardship, should receive enough public assistance to cover the basics, including food, shelter, and health care. The focus was on children's survival.

Today's social compact represents a reversal in the course of public policy. In name and substance, current welfare law stresses personal responsibility, in effect absolving the public from responsibility for other people's children. Our nation no longer aims to guarantee that every child's survival needs will be met. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 shifted the focus from children's needs to adults' behavior. Policymakers set their sights on the goal of employment, but assumed no responsibility for ensuring that strenuous effort would ward off hardship, or that children would have a decent quality of life. They proceeded from the assumption that if parents are working, children's essential needs will be met.[25]

That premise has a strong hold on public perception in an era characterized by ardent faith in the power of market forces to modulate consumers' needs, choices, and resources. But for millions of children whose parents do not earn a living wage, theory collides with reality on a daily basis. These children face hardship for months or years at a time because meager wages or insecure jobs force trade-offs no mother or father should have to make. Milk or medicine? Diapers or carfare to work? Pay the sitter or make the rent?

How Economic Hardship Affects Children

Today's social compact tolerates a high level of childhood poverty, despite an immense body of research showing its adverse effects on children and on society as a whole.[26] Many struggling families move in and out of official poverty, but face persistent hardship and stress. Even temporary bouts of economic hardship can take their toll. And millions of poor children—about one-third—live in official poverty for more than six years.[27] Persistent economic disadvantage has been found to be particularly harmful to children's development.[28]

Over time, economic hardship can have a cumulative, corrosive effect. The adverse consequences documented by researchers can be dramatic. But more mundane problems can also

Support for Families with Young Children: A State-by-State Assessment

In 1999, a group of researchers categorized states on the basis of their expenditures across 11 program areas that affect the resources available to families with young children: food assistance, health insurance, child care funding, public preschool programs, public assistance, unemployment compensation, disability assistance, child support enforcement, tax policies, vocational training, and remedial training.

This report card reflects the five categories used by the researchers: Integrated Approach, Generous, Conservative, Limited, and Minimal. Please note that some states that have very strong programs in one or two areas were rated lower than states that do well across the board. Hawaii and Alaska were excluded from the study because of extreme values based on cost of living adjustments.

Minimal ★
Limited ★★
Conservative ★★★
Generous ★★★★
Integrated Approach ★★★★★

Source:
Meyers, M.K., Gornick, J.C., and Peck, L.R. *Federalist anti-poverty policy: Family support packages across the U.S. states.* New York: Columbia University. Revised August 18, 2000.

State	Category	State	Category
ALABAMA	Minimal ★	MONTANA	Conservative ★★★
ALASKA	--	NEBRASKA	Conservative ★★★
ARIZONA	Limited ★★	NEVADA	Limited ★★
ARKANSAS	Minimal ★	NEW HAMPSHIRE	Integrated Approach ★★★★★
CALIFORNIA	Generous ★★★★	NEW JERSEY	Integrated Approach ★★★★★
COLORADO	Generous ★★★★	NEW MEXICO	Limited ★★
CONNECTICUT	Generous ★★★★	NEW YORK	Generous ★★★★
DELAWARE	Limited ★★	NORTH CAROLINA	Limited ★★
FLORIDA	Limited ★★	NORTH DAKOTA	Conservative ★★★
GEORGIA	Limited ★★	OHIO	Integrated Approach ★★★★★
HAWAII	--	OKLAHOMA	Limited ★★
IDAHO	Conservative ★★★	OREGON	Generous ★★★★
ILLINOIS	Generous ★★★★	PENNSYLVANIA	Generous ★★★★
INDIANA	Conservative ★★★	RHODE ISLAND	Generous ★★★★
IOWA	Generous ★★★★	SOUTH CAROLINA	Minimal ★
KANSAS	Conservative ★★★	SOUTH DAKOTA	Conservative ★★★
KENTUCKY	Minimal ★	TENNESSEE	Minimal ★
LOUISIANA	Minimal ★	TEXAS	Minimal ★
MAINE	Generous ★★★★	UTAH	Conservative ★★★
MARYLAND	Integrated Approach ★★★★★	VERMONT	Integrated Approach ★★★★★
MASSACHUSETTS	Generous ★★★★	VIRGINIA	Limited ★★
MICHIGAN	Generous ★★★★	WEST VIRGINIA	Minimal ★
MINNESOTA	Integrated Approach ★★★★★	WISCONSIN	Integrated Approach ★★★★★
MISSISSIPPI	Minimal ★	WYOMING	Conservative ★★★
MISSOURI	Limited ★★		

cause damage. "Risk" may be harder to recognize in the second grader whose parents cannot replace his broken eyeglasses, the toddler who falls repeatedly because her family cannot pay for corrective shoes, or middle schoolers who are distracted in the classroom because they had no breakfast. As children grow, such ordinary problems can snowball, jeopardizing their growth, achievement, and life chances.[29]

When families face material hardship, children's development suffers—not only their physical growth, but also their intellectual development and success in school.[30] Family income has been shown to affect children's intellectual development as early as age two.[31] In recent years, a convergence of evidence from several disciplines, including neuroscience, cognitive science, and developmental psychology, has illuminated some of the pathways by which economic and social deprivation can delay or impede cognitive development.[32] This evidence helps to explain why poverty can be especially damaging when it occurs early in children's lives.[33] But family poverty can affect development and achievement throughout childhood, and into the teen and adult years.[34] Compared with other youth, those who grow up in poverty are more likely to drop out of high school and to become teen parents. When they grow up, they get less education, are less likely to work, earn lower wages when they do work, and are more likely to become single parents.[35]

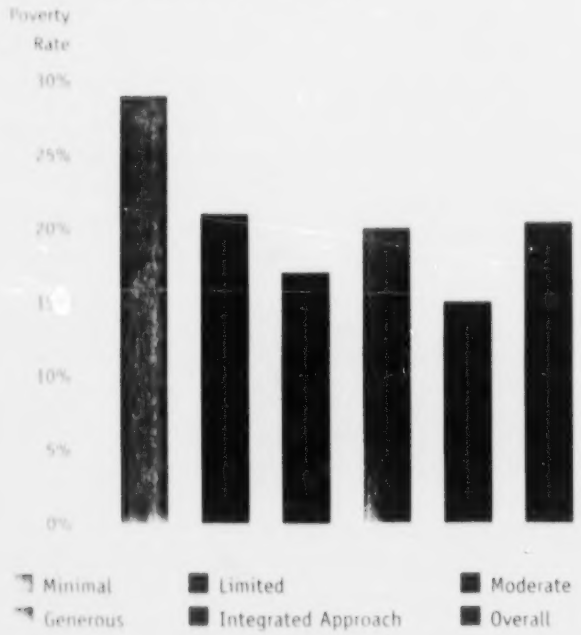
Inequities in Resources for Children

In the real estate business, where a property sits is an important determinant of worth—so important that it is often said that the three keys to value are location, location, location. In the realm of policy, the same is true for low-income working families and their children.

Poverty rates vary markedly by geographic location. Children in urban areas are more likely than suburban or rural children to be poor.[36] Although the absolute number of children living in poverty is greater outside of cities, the density of child poverty is greater in urban than in suburban or rural areas.[37]

Changes in laws and regulations governing both cash and non-cash assistance have led to substantial variation across states in policy and resource allocation across states. It is not just a

Official Child Poverty Rate in States Providing Different Levels of Support to Families with Young Children



Source:
Meyers, M.K., Gornick, J.C., and Peck, L.R. *Federalist anti-poverty policy: Family support packages across the U.S. states.* New York: Columbia University. Revised August 18, 2000.

matter of which state you live in, income also hinges on where you happen to live within the state. In the wake of the 1996 welfare legislation, there is no national welfare system, rather, there are 50 state welfare systems. But in fact, devolution and block grants began in the 1980s, and by 1996, wide disparities already existed in states' support for families with young children. (See *Support for Families with Young Children: A State-by-State Assessment.*)

Today, researchers are continuing to find marked inequities in the degree to which state policies support working families and their children. And the extent of state support directly affects the conditions in which children grow up. In 1994, low-support states, considered as a group, had the highest average poverty rates, with 29 percent of children living in official poverty.[38] Studies using more recent data find that states where income inequality is the greatest tend to have the least-generous benefits.[39]

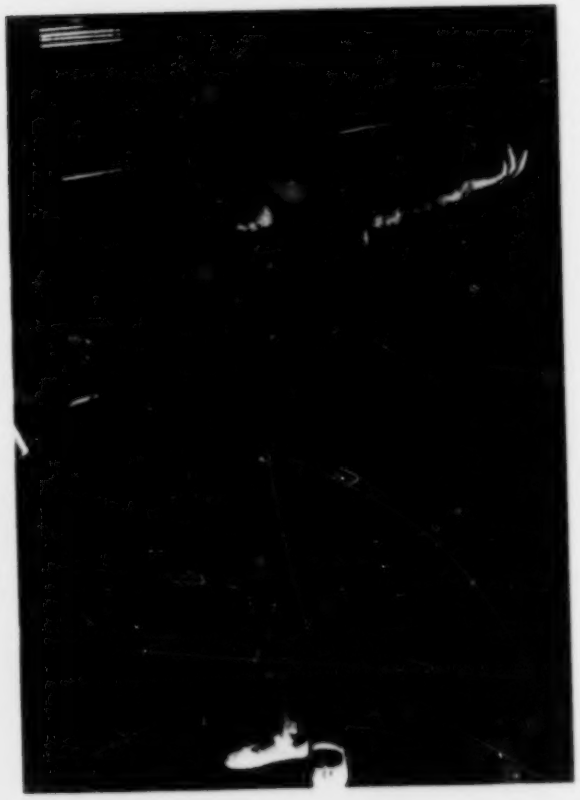
Critical inputs that affect the quality of children's lives vary from state to state. So do outcomes. As the KIDS COUNT Data Book shows year after year, the risks faced by children and their chances for school success vary widely across the 50 states and the District of Columbia. In the 1990s, the child poverty rate varied from a low of 11 percent in Utah to a high of 44 percent in Washington, D.C.[40]

Developmental outcomes vary for children of different income groups. Children from families with greater economic resources are more likely to perform well on tests of cognitive skills and in school. The question remains, is it possible to improve outcomes by increasing family resources?

Most researchers agree that the answer is yes. But what kinds of assistance will have the greatest impact on children's development? This is where opinion diverges. Some policy analysts favor measures aimed at bolstering household income through wage increases, tax policy, and cash assistance. They point to studies showing that an additional $10,000 per year of family income can, over time, produce modest but significant improvement in children's cognitive development, reading achievement, and vocabulary. Others stress that many factors affect children's school readiness and achievement, including household structure and parental education. They favor public provision of education and training that can help Americans

improve their earning power, and non-cash benefits aimed at helping low-income families meet such basic needs as food, shelter, health care, and early education. A third view is that to improve the life prospects of their children, low-income families need access to both cash and non-cash resources.[21]

These debates are hardly theoretical. They cut to the heart of today's most wrenching, most important public policy issues, and they are far from settled. While studies are needed to inform decision-making, the big questions will not be resolved by researchers. Rather, they will be settled just as most great policy issues have been decided in this nation—through the political process. But two things are clear. First, any solution must embrace all children who face hardship—not just those living in official poverty. And second, any solution must flow from a realistic assessment of what it takes to ensure that children thrive today and succeed tomorrow. Policymakers, working with informed citizens, must take into account all of the building blocks of our basic dream.



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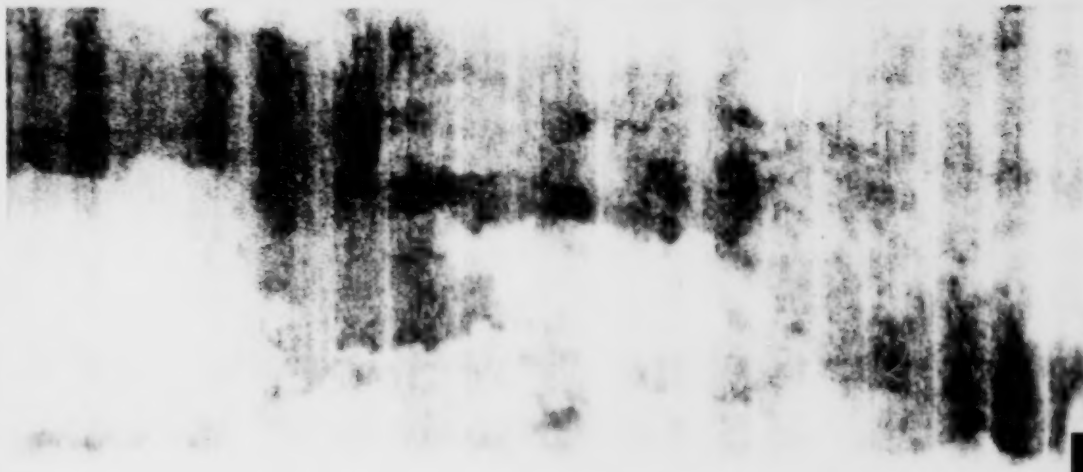

"Every Brick and Stone"

3

The Building Blocks of Our Basic Dream

A central tenet of the American dream is that working hard and playing by the rules should allow families to pay for the basics. But what are the basics? This section discusses the concept of family economic security, noting the shortcomings of the current poverty measure and describing more realistic ways of gauging material well-being. It then offers a close-up look at specific building blocks of the American dream: economic security, food security, health care, early care and education, housing, transportation, and crucial family resources that are often overlooked—time and energy.

What Do Families Need?

Every working family needs enough income to cover the essential costs of living. But how much is enough?

Most assessments of Americans' well-being apply a traditional yardstick—the official poverty line set by the federal government. In 2000, the official poverty threshold for a family of four, consisting of two adults and two children, was $17,050. Nearly 14 percent of American families have incomes that fall below this level—before taxes, and after receiving cash assistance—and are considered by the federal government to live "in poverty."

Beyond the Poverty Line: Why Basic Family Budgets Matter

...185 percent of poverty... 250 percent of the poverty line... Phrases like these dot the policy landscape, reflecting the reality that millions of people with incomes above the official poverty threshold cannot make ends meet.

The current poverty measure dates back to the 1960s. It is indexed to inflation, but otherwise has remained essentially the same for three decades. Many researchers, including a panel convened by the National Academy of Sciences, have concluded that the measure bears little relationship to what it costs real families to cover the basics, and significantly underestimates the number of people who lack the means required for a decent standard of living.

What's in a definition? Our current measure of poverty is an important social indicator. Since its creation, it has been used widely to formulate policy, administer programs, conduct research, and inform the public about the status of various groups of Americans. It not only governs entitlement to various programs and supports, it also shapes public perceptions of well-being in America.

Economists at the Economic Policy Institute (EPI) have taken a different tack. Rather than designing a yardstick to measure poverty, they have focused on determining the level of resources needed by a family to achieve a decent and acceptable standard of living in their locale. Basic family budgets take into account a range of necessary costs: housing, utilities,

But living above the official poverty threshold is no guarantee of economic security. The poverty measure has been set so low that most families living at the line, or hovering just above it, are barely at subsistence. More up-to-date poverty measures offer more realistic gauges of economic security, and suggest that the actual poverty rate far surpasses the official number. For example, when an alternative poverty measure proposed by the National Academy of Sciences is applied, the poverty rate increases by 24 percent—almost all of it concentrated in families with young children.[42] But for the moment, the current method of measuring poverty prevails, and changing it would require a complex series of legislative and administrative steps.

food, child care, transportation to and from work, health insurance costs, and other necessary expenses such as clothing. Costs assume an adequate or acceptable level of quality. A major challenge of this approach is defining "acceptable" or "decent" services and finding accurate and reliable data on costs. Determining the cost of "adequate" child care is particularly problematic.

The results are eye-opening. In 1998, the official poverty threshold for a family of four, consisting of two adults and two children, was $16,530. But, according to EPI, a basic family budget for a family of four—without any "frills" such as vacations, restaurant meals, or movies—was much higher. In Baltimore, a family of four would have needed an annual income of $34,732 just to meet its basic needs. For a working, single-parent family with two children, estimates ranged from a high of $42,000 in Washington, D.C., to a low of $19,000 in Kentucky. On average, basic family budgets are more than twice the federal poverty line.

Sources:

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Citro, C.F., and Michael, R.T., eds. *Measuring poverty: A new approach.* Washington: National Academy Press, 1996.

Short, K., Iceland, J. & Garner, T.I. *Experimental poverty measures.* Washington: U.S. Census Bureau, 1998.

Economic security hinges not only on household income, but also on access to non-cash benefits, such as Food Stamps, health insurance, and housing and child care subsidies, that are intended to provide a safety net for low-income families. Since 1995, that safety net has seriously frayed.[43]

Recent immigrant families, in particular, have felt the pinch. The 1996 welfare legislation excluded those arriving after 1996 from the five core federal safety-net programs—not only public assistance, but also Food Stamps, disability insurance, Medicaid, and the Child Health Insurance Program (CHIP). Bars on the use of benefits have had an impact not only on non-citizen adults, but also on their children.[44] And 79 percent of their children are U.S. citizens.[45]

Many economists acknowledge the need to introduce a more realistic measure of hardship to inform policy, guide budget decisions, and determine eligibility for government programs and subsidies. A number of alternative measures have been proposed. For example, economists at the Economic Policy Institute (EPI) are calculating basic family budgets, taking into account the actual costs, in a given locality, of a range of necessary expenditures. (See *Beyond the Poverty Line: Why Basic Family Budgets Matter.*) Rather than designing a yardstick for measuring the economic status of any family, anywhere in the country, they stress that a decent quality of life has a different price tag, depending upon where you live.[46]

Food Security

When ends don't meet, something has to give. And all too often that something is nourishing food. Once a paycheck has been spent on housing, utilities, transportation, and child care, there may not be enough left for the variety of food needed to meet the nutritional needs of families, especially children. The result is a degree of malnutrition that is alarming and surprising, given the nation's strong economic performance over the last decade.

Today, researchers are documenting not only hunger (meaning the physical pain or sensation that results from undernourishment), but also food insecurity. Food insecurity has been defined as a condition in which families or individuals are unable to afford enough adequately nutritious and safe food from socially acceptable sources for an active, healthy life. The severe

malnutrition associated with prolonged hunger can have a detrimental affect on children's health, development, and learning, but so can more mild forms of food insecurity. (See *Beyond Hunger Pangs: Why Food Security Matters.*)

Millions of American families experience food insecurity. According to the U.S. Department of Agriculture, in 1998 an estimated 10.5 million households experienced some degree of food insecurity. Of the more than 30 million people who lived in these households, nearly 40 percent (or 12.4 million) were children. Households with children were more than twice as likely as those without children to experience food insecurity.[47]

Employment is no guarantee of being adequately fed. According to a large-scale study conducted by the Food Security Institute from 1988 to 1994, more than half of Americans who say they are sometimes or often hungry due to lack of income live in households in which at least one person has a job.[48] This is a particularly disturbing affront to our basic dream.

Health Care

All children need good health care, but children in low-income families often require more intensive services. National statistics indicate a health gap: in 1997, about 68 percent of children in families living in official poverty were in very good or excellent health, compared with 86 percent of children in families living at or above the poverty line.[49]

The health gap begins early—sometimes even before birth. Researchers have found that women who have access to

Beyond Hunger Pangs: Why Food Security Matters

Joanne has that gnawing feeling in her gut, and there's nothing in the fridge but some milk that spoiled when the power was cut off. Cindy feels full. The big bag of chips she had on the way home from preschool will hold her through the evening. Willy just finished a big meal. His mom found two slices in the dumpster behind the pizzeria, and she gave both of them to him.

When you gauge hunger the old way—using the standard that long drove public policy—only Joanne merits attention. But research on children's well-being and development tells us that all three children are in jeopardy. They all come from families who experience food insecurity. Food insecurity occurs when families lack reliable, socially acceptable ways to get food that is nutritionally adequate and healthy. Hunger is the most severe form of food insecurity, but any kind of food insecurity can undermine children's health, learning, and school success.

These figures translate into real hardship and lost potential. It has long been known that severe, prolonged malnutrition can have lasting effects on children's development and learning, but even moderate malnutrition—the kind most often seen in the United States—can have adverse e[illegible]s.

When a child's body is confronted with a "fuel shortage," a natural rationing system kicks in. Scarce food energy goes first to survival (maintaining critical organ function), and then to physical growth. Social activity and cognitive development are lower priorities. That is why undernourished children often have low energy levels and appear to lose interest in the activities and people around them. This in turn affects their social interactions, their curiosity, and their overall intellectual functioning.

Sources:
Brown, H.L., and Pollitt, E. Malnutrition, poverty and intellectual development. *Scientific American* (February 1996) 26-31.
Center on Hunger, Poverty and Nutrition Policy. *Statement on the link between nutrition and cognitive development in children.* Medford, MA: Tufts University School of Nutrition Science and Policy, 1998.
Venner, S.H., Sullivan, A.F., and Seavey, D. *Paradox of our times: Hunger in a strong economy.* Medford, MA: Center on Hunger and Poverty at Tufts University, 2000.
Zedlewski, S., and Brauner, S. *Are the steep declines in food stamp participation linked to falling welfare caseloads?* Series B, No. B-3. Washington: The Urban Institute, 1999.

adequate health services before, during, and after childbirth have better outcomes and healthier children.[50] But low-income mothers are less likely than other pregnant women to receive timely prenatal care.[51] Compared with other newborns, their babies have higher rates of infant mortality[52] and low birth weight.[53]

Many factors contribute to families' capacity to get the health care they need for themselves and their children, but access to health insurance is among the most important. Across the nation, more than 11 million children (one in seven) are uninsured. Moreover, the number of children without health insurance has been growing steadily over the past decade, as has the percentage without access to employer benefits.[54] This problem is especially acute among immigrants and their children. Compared with children whose parents were born in the United States, first generation immigrant children are three times as likely, and second generation children are twice as likely, to lack health insurance.[55]

Having a working parent is no guarantee of adequate health care. In fact, poor children whose families are meeting the work standard are less likely to be covered by health insurance (68 percent) than those whose parents are not working (81 percent).[56]

Many eligible children are not enrolled in the two programs that provide public health insurance for low-income children. The first is Medicaid, a safety-net program that covers the costs of medically necessary health care for eligible adults and children, including all children living in official poverty. In 1998, more than 14 million children under age 18 (one fifth of American children) had Medicaid coverage.[57] Since its inception, Medicaid has been tied to the welfare system; with the passage of PRWORA in 1996, the two programs were delinked. As a result, Medicaid has contracted significantly and now reduces child poverty less than in the past. According to the Urban Institute, 40 percent of uninsured children under the age of six are eligible for Medicaid but are not participating.[58]

The second public insurance program is the State Children's Health Insurance Program (SCHIP). Enacted in 1997, SCHIP gives states federal dollars to fund "child health assistance programs"—affordable health insurance programs for uninsured children in lower-income fam-

ilies. As they design their State Child Health Insurance Programs, states can expand their Medicaid programs, set up separate SCHIP plans, or combine the two plans. As of the end of 1999, about 2 million children received SCHIP coverage, but many eligible children remain uncovered.[59]

Early Education and Care

When the official poverty line was established in the 1960s, child care costs were not factored into the formula. The education and care of young children were not deemed essential either as a way to enhance learning and school readiness or as a way to enable parents to work. In the intervening decades, a growing body of evidence has demonstrated the benefits of high-quality early education, especially for children placed at risk by economic disadvantage.[60] At the same time, the entry of millions of women into the workforce has made care arrangements a necessity for most families with young children.

Today, researchers from several disciplines are confirming that cognitive development begins early in life, that learning takes place in the context of important relationships, and that the right kinds of stimulation can help children become intellectually curious and socially competent. Merely keeping children clean and safe while their parents work is no longer considered to be sufficient preparation for successful participation in the classroom, community, or workplace.

As a committee of experts convened by the National Academy of Sciences recently concluded, "The growing consensus concerning the importance of early education stands in stark contrast to the disparate system of early care and education available to children in the United States in the preschool years."[61] In the 1990s, the U.S. Congress acknowledged the importance of early education by making school readiness the nation's number one National Education Goal, and many states placed school readiness and early literacy on their policy agendas. Some states have launched initiatives to improve the availability and quality of their early childhood services, including preschool education.

But progress has been sporadic, and most young children—especially those from low-income families—still lack access to high-quality early education and care. As things stand, only one state—Georgia—has introduced a universal early education program comparable to those that have long been in place in our peer nations in Western Europe, and parents must wait until their children are four years old to take advantage of that program.

In recent years, Head Start, the largest publicly supported child development program, has been expanded, and Early Head Start has been introduced for younger children. However, nearly four decades after its creation, Head Start continues to serve only a minority of eligible children, and does not mesh with the schedules of many low-income working parents who need full-day, full-year programs. In the absence of high-quality, affordable programs, most working families place their children in early education and care settings of poor to mediocre quality.[62]

Finding good early education programs is difficult for all working parents, and especially so for those facing economic hardship. Child care costs take a huge bite out of low-wage earners' incomes—up to 30 percent by some estimates.[63]

Good-quality infant and toddler care is even more scarce, and more expensive, than care for older children. And today, most mothers have to work while their children are very young. Those with low wages have the fewest options, since their jobs rarely offer paid maternity or parental leave. All mothers receiving public assistance are required to work after their children's first birthdays, welfare laws in nearly half of the states also require mothers with babies under the age of one to meet the work standard.

Most low-income working families must therefore rely on arrangements with relatives, acquaintances, or unlicensed providers who care for children in their own homes. These arrangements, which have always been fragile, are now harder to find and break down with even greater frequency, because many of the women who once filled this role are now subject to work requirements as well.[64]

Today, more public dollars are going for early childhood services than in the past. State child care subsidies have increased significantly in the wake of the 1996 welfare legislation, despite a slow start, there has been a major infusion of money from state coffers into child

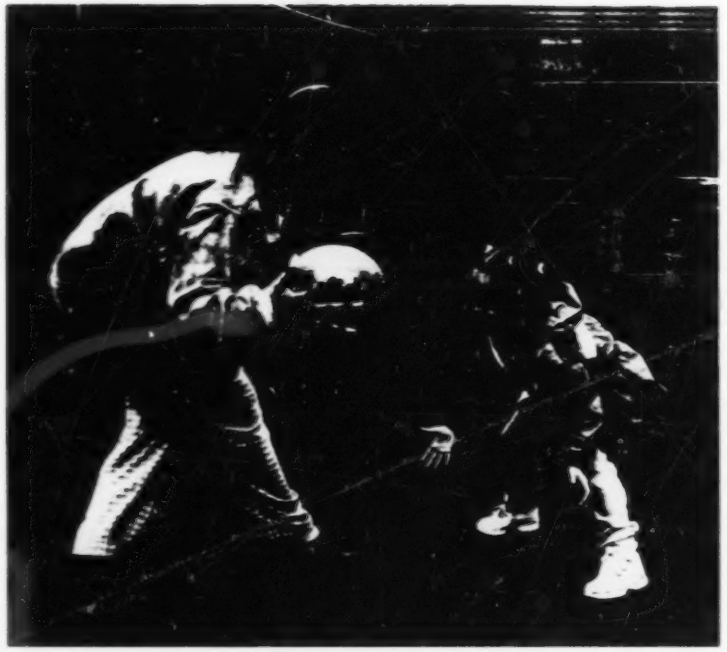
care. In fiscal year 1999, federal and state governments are estimated to have spent at least $15 billion on these subsidies.[65] The most direct result is a steep rise in the number of children receiving subsidized care—up from roughly 1 million in 1996 to 1.5 million in 1998. However, the vast majority of families that qualify for subsidies are not receiving them. As things stand, only 10 percent to 15 percent of eligible children are being served.

This infusion of funds into early childhood services is a positive development, but public investment falls far short of what it would take to provide affordable early education and care to all of the families who need it. What's more, current funding levels tolerate and perpetuate the low quality of care now available to most low-income families.

To a large extent, child care policy is being driven by the imperative of closing existing welfare cases and avoiding opening new ones. Expanding access to care, thereby freeing more parents to work, is the top priority. The importance of enhancing children's development and school readiness saturates political rhetoric, but remains a lesser consideration for most policymakers and legislators.[66]

This political reality shapes child care policy across the nation. Many states are making trade-offs that sacrifice quality to expand the number of families served. They are setting reimbursement rates at levels that do not come close to the cost of good-quality care. Most states base reimbursement rates on local market conditions, but market rates are predicated on what parents can afford to pay, not on the actual costs of quality, which include adequate compensation for fully trained staff.[67]

By law, states must earmark 4 percent of their Child Care and Development Fund dollars for quality enhancement, but these funds cannot begin to build the infrastructure needed for a high-quality system of early care and education, nor can they make up for unrealistic reimbursement rates.[68] Moreover, states are spending billions of dollars on unlicensed, unregulated care. The case for regulation has grown stronger in recent years, and a growing body of evidence supports a link between licensing and child outcomes.[69] The early childhood field, which has long stressed the need to improve the education, training, and compensation of the early childhood workforce, is coming to terms with the fact that these reforms, while important, are not sufficient to ensure that all children have high-quality early education and care.[70]



Decent, Affordable Housing in Safe Neighborhoods

The 1990 Cranston-Gonzalez National Affordable Housing Act characterized affordable housing as a building block of the American dream. "The Congress affirms the national goal that every American family be able to afford a decent home in a suitable environment."[71] However, this goal remains out of reach for millions of low-wage working families.

Over the last three decades, housing quality across the nation has been improving steadily, but affordability has been getting worse,[72] and more Americans are facing housing problems.[73] Between 1991 and 1995 (the most recent data available), the number of low-wage working families needing housing assistance rose by 24 percent.[74] Skyrocketing housing costs are consuming more and more of families' income.[75] Over the course of the 1990s, owning a home was within the means of fewer working families. Only one in 50 renter families below the median income for all renter families could afford to buy even a modestly priced house.[76]

Housing has often been a low-priority issue for researchers and advocates concerned about early learning and school readiness; unmet needs for health and early education generally assume greater urgency. But research shows that the links between substandard housing and educational disadvantages are complex and cumulative. For most parents, few prospects are more threatening than homelessness. To pay their rent, many people skimp on food or medicine, work two or three minimum-wage jobs, or live in unfit housing. The strain associated with having too little income and too many bills has been found to hinder attentive parenting, heighten family conflict, and contribute to the break-up of families.[77]

Homes matter, but so do neighborhoods. Children in low-resource neighborhoods are hurt academically, not just by their families' lack of means, but also by the poverty that surrounds them. Children with very limited household incomes who live in more affluent neighborhoods fare much better in school than those surrounded by other low-income families. In fact, research indicates that the prevalence of poverty in the neighborhood is as strong a factor in student achievement as the student's own economic status.[78]

There is some evidence that efforts to relocate low-income families in better neighborhoods, with more economic resources and a wider array of services, can improve children's and parents' well-being.[79] But when families move for other reasons—such as eviction, fires, or lack of services—children fare worse. And not surprising, families living in poverty are five times more likely than other families to face eviction due to lack of economic resources.[80] Indeed, research suggests that each move can lower students' chances of succeeding academically and finishing school.[81] When families become homeless, the toll on children's health and learning is heavy, indeed. Homeless children are at increased risk for chronic intestinal problems and asthma, and are less likely to have the immunizations that protect them from serious, preventable diseases. In addition, homelessness causes a vicious cycle of instability that is hard on children.[82]

Transportation

Many of the jobs created during the 1990s were located in suburbs, making transportation problematic for job seekers who live in central cities.[83] Unemployed workers report that transportation represents a major obstacle to steady employment as they try to leave the welfare rolls.[84] Employers agree that transportation is a problem. In a survey of 700 employers conducted in 1997, two out of five said that their entry-level jobs are not accessible by public transportation.[85]

Time and Energy

In addition to the other essential requirements discussed in this chapter, families have another need that is just as basic—time. When it comes to time, both quantity and quality matter. The amount and the kind of time parents have available to spend with children has been shown to

be critical to children's health and development.[86] Moreover, parents' involvement in children's lives has proven to be crucial at every stage. For example, teenagers who have strong emotional attachments to their parents are much less likely to become sexually active at an early age.[87]

While all parents need time to meet their children's needs, it is particularly critical for low-income parents. Their children are more likely to have health problems, developmental delays, or learning issues that require attention and care.[88] But what is true for the other "basics" is true for time—low-wage working families simply don't have enough.

As Katherine Newman of the Kennedy School of Government at Harvard University has written, "Long work days, juggling more than one job, irregular hours and shift work, involuntary part-time employment, and jobs that rarely provide benefits (especially time off for family emergencies) make it very difficult for low-wage earners to take care of family responsibilities.... And even those who 'have time' do not come by it easily. They must call in sick at work—often risking their jobs altogether—or limp along until after the children have gone to bed."[89] It is not just time that is in short supply in working-poor households. At the end of the day, many low-wage earners find that they have little energy (physical or emotional) to spare.[90]

Unpredictable or non-traditional schedules can add immensely to the strain of raising a family, and make it even more difficult to arrange the care of preschool- and school-age children. As the service sector of the economy has expanded, more businesses are keeping their doors open around the clock. As a result, more than a quarter of mothers in working-poor families now work non-traditional hours, mostly at night.[91]

Low-wage earners can rarely take time off from work to meet health and developmental needs. All parents need time to take children to well-child or illness-related medical visits, care for sick children at home when necessary, and have children with learning difficulties or behavioral problems evaluated, among many other responsibilities.[92] Low-wage workers, even those who work full-time, are less likely than higher-wage earners to have paid leave, and most cannot afford to take unpaid leave.[93]

The problem is most severe when children get sick. In one out of every four families, children's illnesses require parental (or back-up) care for three or more weeks each year.[94] This

can wreak havoc on the work lives of all parents, but low-wage earners tend to have less flexibility than other workers. Forced to choose between giving children the care they need and keeping their jobs, many resort to makeshift arrangements. This is not simply stressful for all concerned; it may delay children's recovery. Research shows that children recover more quickly from illnesses and injuries when their parents are present and involved in their care. In fact, the presence of parents has been shown to cut hospital stays by nearly one-third.[95]

Breaking the Cycle of Hardship

While some policymakers are beginning to address the needs of working-poor families, the root causes of their circumstances get little attention. Higher wages would certainly make a difference, but economists say that pay hikes alone are not the answer. Without education and up-to-date job skills, low-wage earners are seldom productive enough to allow employers to justify significant wage increases.[96] Numerous industries in the service sector have generated low, and by some estimates, even negative rates of productivity growth in recent years.[97] More and better opportunities to learn, beginning in the early years and continuing through adulthood, offer the best hope for breaking the cycle of hardship.

But what about the short term? Strengthening education and job training is a long-term solution, but is unlikely to get most of today's unskilled workers up to speed in time to benefit their children.[98] The hard truth is that millions of American families and their children need help. What is required is a fundamental reconsideration of the social compact, restoring the balance between private and public responsibility.

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"Its Mighty Daring Sings"

4 Composing a New Social Compact

Across the economic spectrum, Americans put great store in personal initiative. But given the limits of personal initiative in an information-based economy that demands high levels of education and skills, it is time for lively debate on what it will take to keep faith with working families and their children.

Restoring a Balance between Personal and Public Responsibility

For many Americans, shared responsibility for improving the lives and life prospects of low-wage workers is a matter of conscience. After all, our nation's envied standard of living hinges on their labor.[99] We rely on low-wage earners to deliver our pizzas, staff the convenience stores that provide our round-the-clock access to milk and videos, and look after our children and elderly parents. In many cases, by working for depressed wages, these workers in effect subsidize the life-styles of more prosperous families.[100] This can certainly be said of those who educate and care for young children. They constitute one of the fastest-growing segments of the working poor, with an average hourly wage of $6.70 in 1998.[101] Given current policies, it is their low pay and consequent hardship that make it possible for most families to afford the care on which they (and their employers) depend.[102]

As a nation, we have come to a moment of opportunity. More is known about the consequences—intended and unintended—of existing policies and programs. This knowledge can guide legislators and other decision-makers as they shape policy in the coming decade, particularly as the reauthorization of PRWORA is debated.

Ending welfare as we knew it may be the kind of social crisis that leads to renegotiating a social compact based on children's and families' requirements for a decent life."[103] This compact would require of all able adults personal effort, initiative, and responsibility. In return, it would strengthen public responsibility for the well-being of children and their families, guaranteeing:

- **For all Americans**—opportunities to learn throughout the life span, beginning in the early years.
- **For all children**—a decent quality of life, beginning with good nutrition and health care.
- **For all parents**—the resources needed to shelter, provide for, nurture, and protect their children.
- **For all workers**—public policies aimed at making work pay.
- **For all communities and states**—coordinated efforts to support the efforts of low-wage earners to provide for their families.

- **For the nation**—a strong civic society, steeped in traditional American values of fairness and justice, committed to lifelong learning, and poised for continued prosperity.

Together, these goals constitute an agenda for change that, over time, can end the cycle of hardship. They will be difficult to achieve—but they are entirely possible. Our peer nations provide substantial support for working families. There is no reason to believe that our country cannot act with equal energy and results.

Searching for solutions and carrying them out will require careful thought, analysis, and research, including calculations of both the costs of pursuing specific opportunities and their benefits to working families, their children, and the nation as a whole. It is also important to consider the costs that future generations will incur if we fail to act now. The approaches outlined in this report will require substantial investment of financial and human resources. Wise leadership is needed not only to guide policy, but also to rouse the public will needed to marshal and sustain those resources.

For All Americans—Opportunities to Learn throughout the Life Span, Beginning in the Early Years

Shape welfare and employment policies with a view toward strengthening adult learning.

Lifelong learning is a key to better worker productivity and compensation—and a crucial element in any plan to achieve our basic dream. When Americans speak of lifelong learning, they mean that education should not stop after formal education ends. Continuing education certainly necessitates initiative and conscientious work on the part of individuals, but systematic efforts to ensure a well-educated, well-equipped workforce also require public investment.

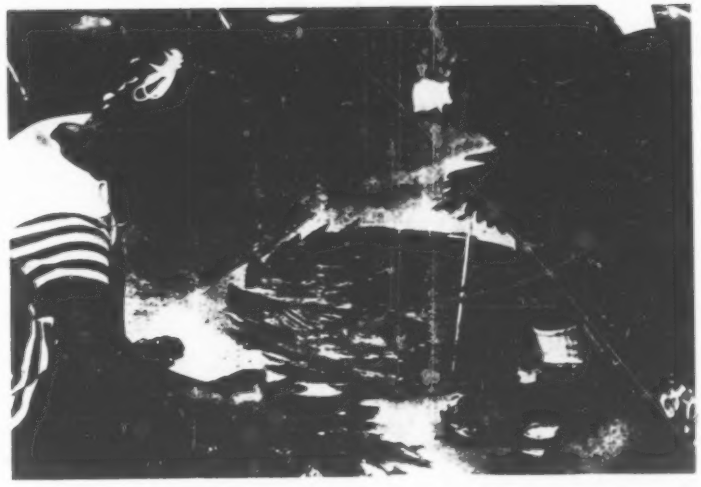
Today, nearly one-third of full-time workers receive training on the job. Employers in every sector of the nation's economy are finding that improved productivity hinges on their ability to create settings that foster and reward continuous learning.[104] Some are restructuring jobs, creating career ladders that enable low-wage earners to advance through a progression of jobs, each requiring stronger skills and offering better pay.[105] A few employment programs are

adding rungs to the bottom of career ladders, providing work opportunities designed to build skills and resumes, so that prospective workers with little experience and few skills can get a foothold.

With their decisions, policymakers can encourage (or impede) learning. For example, they can expand training opportunities for all low-wage earners and change welfare rules to allow TANF recipients to meet work requirements with postsecondary education.

Work toward universal access to quality early learning programs.

But lifelong learning must be truly lifelong. It should not wait until formal K–12 education begins. Researchers in diverse fields stress that early experience provides a foundation for later learning.[106]



But when it comes to providing that foundation, we in the United States have a long way to go. Our nation's young children, especially those from families whose incomes hover just above the official poverty line, experience troubling inequities in access to sound early learning programs. We lag behind the Western European nations in providing voluntary, universal early education for our three- and four-year-olds. In our country, participation in these programs varies by family income, mother's education, and the child's race and ethnicity.

These facts would not be so alarming if our children were entering school ready to learn, and if they were living up to their potential. But millions of children are not. In a study of three states, when kindergarten teachers were asked how many of the children in their class were not ready to participate successfully in school, the average response was close to 20 percent. In one of the states, "unready" children account for as much as 36 percent of kindergarteners.[107]

There is a powerful precedent for universal early education. In the year 2000, the idea that public education should begin at age five seems like a foregone conclusion—one that is rarely questioned in policy circles or public debate. Yet, well into our nation's history, the notion that every child should be able to attend kindergarten at public expense appeared to be a radical proposal. Over time, the case for universal, voluntary kindergarten grew, and now it is law in every state of the union (although nearly half of five-year-olds are not yet in full-day programs).[108]

Today, the case for universal preschool grows stronger by the day. Policymakers, educators, business leaders, and philanthropists are joining the call for universal, voluntary access to early education. Emphasizing the importance of school readiness, the Council of Chief State School Officers, an organization of state superintendents of education, recently replaced a policy statement recommending free early childhood programs for children at-risk of poor educational achievement, with one calling for universal access.[109]

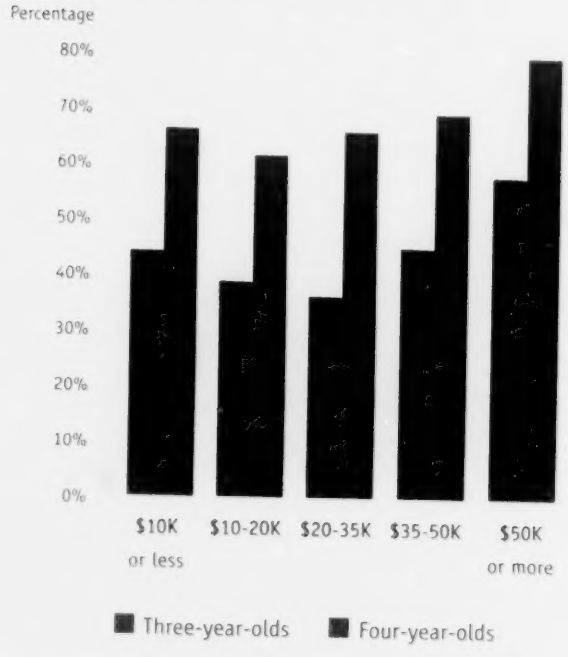
Equity is a major concern. Historically, Americans have viewed public education as an equalizing institution, but educational inequality begins before children enter school.[110] Low-income families—especially the working poor—have less access to center-based programs than more affluent families. More than three-quarters of four-year-olds from households with annual incomes of $50,000 or more attend center-based programs, compared with just over half of those from very low-income families (with incomes of $10,000). Working-poor families with earnings between $10,000 and $35,000 have the lowest rates of enrollment.[111]

The good news is that the early learning movement is spreading across the country. Forty-two states and the District of Columbia now offer free or subsidized preschool, and enrollment has grown to 750,000 children.[112] State spending on prekindergarten programs topped $1.5 billion last year, up from $180 million in 1987.[113] Georgia has advanced the most ambitious plan, making prekindergarten available to all four-year-olds whose parents want to enroll them. Today, more than 70 percent of the state's four-year-olds are enrolled.[114]

As things stand, Georgia remains the only state with a fully funded program for all four-year-olds, but New York and Oklahoma are moving toward universal preschool programs. Voluntary preschool is also on the table in Maryland, which already has a state-funded program for low-income four year-olds, and in California, where the state superintendent of public instruction has proposed spending $5 billion to offer preschool for the state's three- and four-year-olds. The District of Columbia has long had free public prekindergarten operating on a first-come, first-served basis.[115] Corporate philanthropy is also getting into the act. In January 2000, Lucent Technologies Foundation announced a $1 million grant to encourage universal preschool in selected states and communities, and has plans to expand this initiative

Build in program standards and quality incentives.
As consensus builds on the urgency and viability of universal early education and care, numerous policy groups and scholars are putting forward plans. Under most of these plans, the

Percentage of Three- and Four-Year-Olds in Preschools



Source: National Center for Education Statistics, 2000.

federal government would give states incentive grants to support early learning programs. The level of federal funding would be based on the size of a state's under-six population. States would be free to use a wide range of auspices, both public and private, as long as they meet federal health and safety guidelines. Every state would form a universal preschool committee charged with planning and organizing its early education programs. Each committee would submit a program plan assessing the state's need and resources, specifying the types of preschools it will fund, showing how it will meet program quality standards, and proposing a program budget. States would distribute support for preschool centers in local communities based on the plan of their universal preschool committee.[116]

Economists have come up with different price tags for universal early education and care, depending on their assumptions about quality standards, participation rates, and states' contributions. Most believe that serving all three- and four-year-olds whose parents enrolled them would cost at least $40 billion annually—nearly four times the current level of federal funding for early childhood programs. Many policy analysts believe that the cost of early learning programs should be considered in terms of their potential long-term savings in government expenditures and their benefits to society at large.[117]

Focus on the early education workforce.

Efforts to upgrade the qualifications of the early education workforce, and improve its compensation and career options, must stay high on the quality improvement agenda. It can be done. Today, employment in early education and care programs provides living wages and career opportunities for a small segment of the workforce, including some who staff Head Start, military child care, or public school prekindergarten programs.[118] But they are the exception, not the rule. Nationally, the average annual salary for child care workers is about $14,500. Few have health or retirement benefits. Given these conditions, it is difficult to recruit or hold onto qualified staff. According to the U.S. Department of Labor, about one-third of those employed in the early education workforce leave their jobs after a year.[119] And many school districts that are experiencing shortages of elementary school teachers are hiring away the early childhood field's best trained and most qualified teachers.[120]

Promising solutions exist. According to the Center for the Child Care Workforce, a variety of programs now underway at the federal, state, and local levels hold the promise of incre-

mentally improving child care workers' salaries and/or benefits.[121] For example, 12 states have implemented TEACH, a program that gives scholarships and bonuses to early childhood workers who complete college-level training, but such programs have affected only a small fraction of the workforce.[122] State compensation initiatives in North Carolina, Rhode Island, Washington, and Wisconsin, county initiatives in Alameda County, California, and Nassau County, New York, and local programs in San Francisco and Seattle are beginning to make headway in improving worker compensation in the early childhood field. But to date, such initiatives have affected only a fraction of the workforce, and little is known about their impact.

Improving results for young children will take significant investments in the professional development of current and new early childhood teachers. Recently, the National Academy of Sciences' Committee on Early Childhood Pedagogy recommended that in early learning programs, every group of children should have a teacher with a bachelor's degree in some aspect of child development or special education. The Committee further recommended that each state establish a single career ladder for early childhood staff, specifying credentials and pay levels for teaching assistants, teachers, and supervisors.[123]

For All Children—Good Nutrition and Health Care

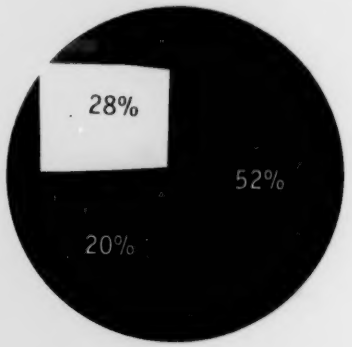
Ensure that all eligible families receive Food Stamps.

Given our nation's strong economy, no child should have to go hungry or suffer the ill effects of malnourishment. Ensuring food security entails two key challenges: making sure that Food Stamp recipients continue to receive benefits for as long as they are eligible, and reaching out to families that qualify for Food Stamps but have never received them.

Offer child feeding programs on a universal basis.

Publicly supported safety-net programs can be provided in two ways. A means-tested approach offers help only to individuals or families that demonstrate need; a universal approach provides assistance to all who choose to participate. In many cases, a universal approach can eliminate stigma, improve utilization rates, and reduce the costs of administering

Children Who Are Eligible for Public Insurance Who Remain Uninsured



Source: American Academy of Pediatrics, 1997.

a means-tested program. For example, there is some evidence that a school meal program offered on a universal basis is less costly and reaches more low-income children than one provided only to eligible students.[124]

Enroll all eligible children in health insurance programs.

Both Medicaid and State Child Health Insurance Programs provide excellent coverage for preventive and primary health care. The challenge is to extend outreach and public education, and to make both plans more accessible and effective.[125] The gap between eligibility and enrollment has been attributed to several factors: lack of knowledge about eligibility (both by families and those who can assist them), complex eligibility rules, difficult and confusing enrollment procedures, and lack of materials in a native language. States that have streamlined the enrollment process, including Indiana, Massachusetts, and Oklahoma, have boosted participation rates.[126]

But it is not enough to change enrollment forms and procedures. Changing attitudes—and the institutional biases that underlie them—is just as important. Many parents do not enroll children because they have negative associations with public assistance or fear they will be treated badly at the enrollment office.[127] Parents taking part in focus groups say that when they use Medicaid coverage, they must often contend with negative attitudes from social service and health care providers. In addition, parents often cannot get the time off from work needed to go through the enrollment and recertification processes.

Insure all children and youth.

The American Academy of Pediatrics (AAP) has strongly endorsed universal access to health care for children and youth, asserting that, "All newborns, infants, children, adolescents, young adult patients through age 21 years, and pregnant women must have access to comprehensive health care benefits that will ensure their optimal health and well-being."[128] Universal coverage that includes preventive care is an ambitious goal, but an affordable one. A study sponsored by AAP showed that Medicaid can insure four children for less than what it costs to cover one adult. The average annual expenditure per Medicaid participant in 1998 was about $6,000 for each adult, and about $1,500 per child.[129] Universal coverage would also be cost-

effective. When children in low-income families have health insurance, they are more likely to receive well-child care, and parents are less likely to delay seeking care or to leave prescriptions unfilled.[130]

Look beyond enrollment.

Because so many eligible children are not participating, concern about public health insurance and other safety-net programs has focused on outreach and enrollment. But enrollment does not guarantee good health care. Other vital questions need answers. Are participating children receiving appropriate services? What is the quality of the care they receive? What impediments stand in their families' way as they try to make use of their insurance benefits?

For All Parents—The Chance to Provide for, Shelter, Nurture, and Protect Their Children

Base policies on realistic assessments of what families need—not the outdated federal poverty line.

As many respected scholars have concluded, including those convened by the National Academy of Sciences, the federal poverty line has outlived its usefulness. Millions of low-income Americans now find themselves in an economic no-man's-land—above the poverty line, but without the means or assistance needed for a decent quality of life. Until a more realistic measure is used, policymakers will be in an "as if" mode: acting as if families of four could breathe a sigh of relief when they reached an annual income of $17,000; as if parents' and teachers' worries about children could relax when the poverty line is crossed; as if a steady, low-wage job with no benefits could ensure family well-being. Basic family budgets offer a realistic, commonsense approach to gauging what it takes for families to cover their essential needs in a given location, including the costs of health care and early education programs, and should be used to guide policymaking.

Address the shortage of affordable housing.

Raising children is challenging in any setting; for parents living in impoverished neighborhoods, it can be a daunting. Poor African American and Latino families are far more likely

than poor white families to live in high-poverty urban neighborhoods. Since living in such neighborhoods compromises children's development, one answer is housing-mobility programs that give low-income families a financial subsidy, in the form of a housing voucher, if they move to a private-market apartment or a house that meets program requirements. Currently, about 1.6 million low-income families receive housing vouchers.[131] From 1995 through 1998, Congress approved no new vouchers. Last year, Congress authorized 100,000 new vouchers for fiscal year 2000.[132] This response does not begin to meet the needs of low-income families.

Moving families out of housing projects can make a difference for some of them, but is neither a widespread practice nor a long-term solution. Efforts to rehabilitate and replace substandard housing units are important. Policies and initiatives aimed at strengthening community assets, linking impoverished neighborhoods to economic opportunity, reinforcing social networks, and improving human services are crucial.[133] Ultimately, however, improving the kinds of settings available to low-income families and their children will hinge on ending discrimination in housing. Efforts to address this seemingly intractable problem must be renewed.

Expand work opportunities for working-poor families by improving transportation.
Changes in policies and rules could ease problems that low-wage earners have getting to work—as well as bringing children to and from early education programs and managing household chores. In many cases, the value of a car is considered part of a household's assets and can keep otherwise eligible families from receiving needed public assistance. Recognizing that many people cannot get to jobs any other way, some states are not counting $5,000 of the value of a car used to get to and from work when they assess a family's assets to determine eligibility for assistance. Steps have been taken to introduce this exemption on a national basis. Programs that help low-wage earners buy, finance, or repair cars can also help working families.

Improving public transportation is another approach.
The U.S. Department of Labor's Welfare to Work initiative, recognizing that welfare caseloads have become more concentrated in inner-city and rural areas while most job growth has occurred in the suburbs, has recommended expanding urban transit systems to serve "reverse"

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and "off-hours" commuters. Other strategies include creating rural transit/van programs and using school buses during off-hours to transport low-income workers to and from job sites.

Expand job benefits for low-wage employees.

A shortage of time affects most American families. Generally speaking, Americans are working longer days and taking off less time. But compared with other workers, low-wage workers have less access to benefits—including sick days, personal days, and time off to tend to family matters. In a recent survey of low-income parents, one-third said they have been forced to leave a job because they could not find child care that meshed with their job schedules, or they had too little flexibility at work.[134] Many public- and private-sector employers are beginning to make a difference by instituting policies that allow employees to meet their responsibilities both at work and at home.[135] But they have only begun to scratch the surface of this problem.

Move toward paid family leave for all who need it.

In 1993, America's families got some much-needed help from the Family and Medical Leave Act (FMLA), which gave eligible parents 12 weeks of unpaid leave to care for a newborn or adopted child, tend to a sick parent, child, or spouse, or recover from a serious illness. Putting the FMLA into practice has helped at least 24 million workers care for their loved ones and keep their jobs. This was a move in the right direction, but it is time to take the next step. As things stand, too many Americans—including the vast majority of low-wage earners—cannot afford to take unpaid leave, no matter how much their children and families need them. The bipartisan Family Leave Commission found that lost wages are the main reason people do not take family leave. Moreover, nearly one-tenth of workers who take advantage of FMLA must seek public assistance while on unpaid leave.[136]

Polls show that parents want a range of employment policies aimed at helping them mesh their responsibilities at home and at work, such as flextime and opportunities to telecommute

Paid parental leave has strong appeal, as well. The first national survey on this topic, completed in 1998, shows that 79 percent of Americans support expanding unemployment or temporary disability for partial wage replacement during periods of family medical leave.[137] Financing options for paid parental leave will require careful attention in coming years. States now have permission to use their state unemployment systems to help new parents meet their responsibilities without forfeiting all of their income. Other states, like California, have introduced paid parental leave using a temporary disability insurance model.

Extend public health insurance to parents.

Increasingly, policymakers recognize that the health of expectant mothers affects their babies' chances of surviving and thriving. But parents' health continues to affect children's well-being throughout childhood and beyond. Low-income adults are even less likely than low-income children to have health insurance. In 1997, 37 percent of low-income adults—more than 7 million men and women—were uninsured. A federal government plan is now being considered that would allow states to cover parents in the same program as their children (Medicaid or the Children's Health Insurance Program), and would provide federal funding to cover parents at the level that is currently available under the Children's Health Insurance Program. States that want to cover all families with incomes below a specified level could also do so. For this plan to work, it would also be necessary to enroll the 1.7 million low-income, uninsured parents whose children are uninsured. However, this plan would not address the health needs of uninsured adults who do not have children, who constitute two-thirds of uninsured adults.[138]

For All Workers—Public Policies Aimed at Making Work Pay

Strengthen the Earned Income Tax Credit (EITC).

A distinctive U.S. innovation in policy, the federal EITC provides tax credits to low-income workers, and is payable to workers even if they owe no federal income taxes. While most cash assistance for the poor is provided to people who do not work, the EITC specifically targets people who do work.[139] It can be worth as much as $3,800 a year, or $2 an hour, to low-income workers with children.[140]

EITCs make a significant difference for young children. In 1997, the poverty rate for young children (under age six) would have been about one-quarter higher in the absence of the EITC.[141] To date, at least ten states have adopted EITCs. An expansion of the EITC, and its extension to additional states, could make a significant difference for low-wage working families and their children. Policymakers also need to address disincentives contained within current tax policy—notably, the fact that the EITC is now phased out abruptly as workers' incomes begin to rise. They also need to ensure that workers who qualify for the EITC are not disproportionately subjected to tax audits.[142]

Increase pretax wages.

The EITC is a popular, helpful mechanism that enjoys bipartisan support. However, in its current form it remains an imperfect tool for assisting the working poor, and it cannot solve the fundamental problem that underlies their dilemma. The real culprit is low pretax wages. In fact, the EITC may have the unintentional effect of benefiting low-wage employers by allowing them to keep wages low.[143] Increases in the minimum wage can decrease poverty; what is more, because employers often try to maintain traditional pay differentials, a higher minimum wage can also help low-income working families whose earnings exceed the minimum wage.[144]

Labor unions can play a critical role in improving compensation. For many low-wage earners, such as home health workers, unionization is an effective strategy for raising compensation, improving working conditions, and creating career ladders. Case in point: The average hourly wage for a union nursing assistant is $10.17; for a nonunion worker in the same job, the wage is $8.55.[145]

Living-wage campaigns—efforts to pass local living-wage ordinances in cities and counties across the nation—can also increase earnings. These ordinances require companies benefiting from public tax dollars in the form of large service contracts or economic development subsidies to pay their workers a living wage—from $6.50 to nearly $14 an hour, depending on local costs of living. Many living-wage ordinances require firms that do not provide health benefits to pay a higher wage. A national living-wage campaign calls for firms holding federal service contracts worth at least $10,000 to pay all employees working on that contract at least $8.20 an hour, the wage that a full-time worker would need to lift a family of four above the federal poverty line.[146]

Finally, closing the gender gap in employment would significantly improve wages. American women who hold down full-time jobs still earn an average of 74 cents for each dollar earned by men. This affects all working women, but has an especially dramatic impact on low-wage earners. If men and women were paid equally, more than half of officially poor families—whether dual-earner or single-mother households—would rise above the poverty line.[147] While climbing above the poverty line is not a sufficient goal, this statistic indicates the importance of pay equity in assuring a decent life for working families and their children.

For All Communities and States—A Package of Policies and Programs that Support Working Families

Piecemeal strategies cannot sustain our basic dream.
What is needed is a coherent plan accompanied by a well-coordinated package of policies aimed at ensuring a decent quality of life to *all* working families, while creating a safety net for those who cannot work due to physical or mental disabilities or special circumstances. Such an approach would combine efforts to improve wages and benefits (working with employers and unions); expand the EITC and other tax policies aimed at helping low-wage working families; and provide larger public subsidies for early education and care, transportation, housing, and other components of the basic family budget.

This multifaceted approach has been adopted by other industrialized countries, with good results. Even those that have experienced similar changes in family structure, including increases in single-parent families, have kept child poverty rates much lower than the United States.[148] As some observers have noted, the differences in these poverty rates "reflect different values and choices, not technical, economic constraints."[149]

Economist Barbara R. Bergmann, Professor Emerita of Economics at American University and the University of Maryland, believes that a "Help for Working Parents Program" could significantly reduce child poverty in the United States by giving all lower-wage parents assistance with their child care and health care needs, as well as some help with housing costs for

those living in high-rent areas. With such a program, she says, a single mother with two preschool children working full-time, even in a minimum-wage job, could achieve a decent quality of life without public assistance.[150]

For the Nation—A Commitment to the Traditional American Values of Fairness and Justice

None of these policies or solutions can make a difference for children without the bonds of reciprocity that unite individuals into families, families into communities, and communities into a nation. While devolution has shifted significant responsibility and resources to the states, the federal government must continue to play a key role, ensuring equity across regions and states, so that children's life chances are not constrained by where they happen to live.

To date, that argument has not been made with sufficient power. Large segments of the public remain unaware of the real costs of work for low-wage families, the fraying of the social safety net for families living in extreme poverty, or the consequences for the nation's future. The appeal for personal responsibility has been made with eloquence and force; the appeal for public responsibility must be put forward just as persuasively.

The time has come to recommit the nation to fulfilling our basic dream: not only to find someone to watch the children while their parents work, but also to create settings where children can flourish and learn; not only to expand the number of jobs for American workers, but also to create good jobs; not only to encourage or require full-time work, but also to ensure that hard work will enable workers to meet their expenses today and put something by for the future. The time has come to restore belief in the power of individual effort and social responsibility. The time has come to let America be America again.

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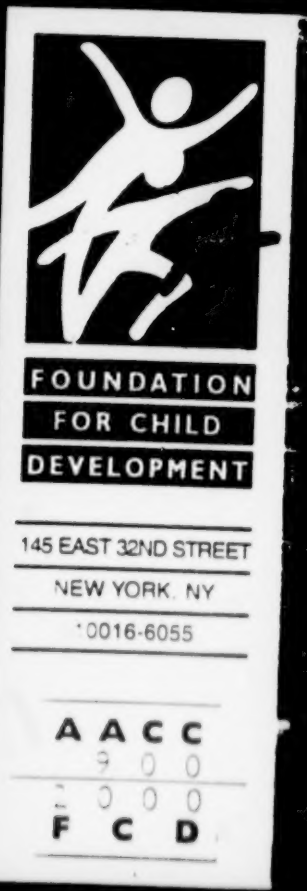

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